

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **202019031**  
Release Date: 5/8/2020

**Date:** February 10, 2020

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B = Program  
C = City  
d dollars = Amount

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code Section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates that you will operate an educational grant program. The purpose of your grant program is to enable underserved and underrepresented college students to have access to, and participate in, internships in STEM (science, technology, engineering, and math) careers.

You have an ongoing internship program called B. Through B, you partner with public charities to help you reach students and enroll them in an internship program. Your desire is that no student should have to forgo an internship opportunity due to an inability to pay relocating or housing costs. As a result, you will offer stipends to participants who demonstrate financial need and are not receiving assistance from his or her internship employer. You will provide stipends to students so that the travel and housing expenses are not an impediment.

Your grant program is designed for rising sophomores, juniors, and seniors with at least a 2.5 GPA from ethnically underrepresented groups. If a student accepts an internship through the program and needs relocation and housing assistance, then the student is eligible for your grant program. Students who seek a stipend must send you an email summary of their accepted internship and his or her need for relocation and housing aid.

To obtain a stipend, a participant must contact you and present information relating to the internship he or she has been awarded and information about whether the employer is offering housing or relocation assistance. The student must also present information regarding his or her financial need. You will review such requests with the assistance of your governmental and college/university collaboration partners to determine the applicant's eligibility for receiving a stipend. Stipends are not renewable.

You publicize your program on your website, social media, at career fairs, and through collaboration with nonprofit business associations. The application for your grant program is available online and open to any student who wishes to apply. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors, are not eligible to apply.

You will determine the number of stipends made each year based on a determination of which students need assistance. You anticipate awarding stipends to all program participants who demonstrate financial need. The amount of the stipend is calculated to provide relocation and housing assistance based on the city in which the internship is located. For example, in the city of C, stipends are anticipated to be d dollars for the first year of the operation of your grant-making program.

In instances where local universities or public charities provide the housing, the housing portion of the stipend will be paid directly to such entities, and the student will receive the relocation portion. In other instances, the student will receive the full stipend amount and directly manage and pay the relocation and housing costs. You will supervise the relocation for the student and help with the planning and will thus be aware of the estimated cost of relocation and housing. You will use that cost to determine the stipend amount and will also contact the housing provider to confirm payment before the internship start date.

You represent you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will: (1) maintain all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified

person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
  - A scholarship or fellowship subject to Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

### **Other conditions that apply to this determination**

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements